

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Corbett Analyst: Roger Lackey Bill Number: AB 1756

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 03/02/2000

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Seismic Retrofit Construction On Residential Dwellings Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED January 14, 2000, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill would provide a credit equal to 55% of the amount paid or incurred for seismic retrofit construction on single-family or multiple-family residential structures constructed before 1979.

SUMMARY OF AMENDMENT

The March 2, 2000, amendment reduced the maximum allowable credit from \$5,000 to \$3,000 for each single-family residential structure.

As a result of the March 2, 2000, amendment, the tax revenue estimate has been revised and is provided below.

The implementation and technical considerations addressed in the department's earlier analysis were not resolved by the March 2, 2000, amendment and are included below.

Except for the changes noted in this analysis, the department's analysis of AB 1756, as introduced January 14, 2000, still applies.

Implementation Considerations

It is unclear how the Franchise Tax Board would verify whether a taxpayer's seismic retrofit construction meets the requirements of this bill and is therefore eligible for the credit. The author may consider requiring the proper local authority to certify that the seismic retrofit construction met the requirements of this bill and requiring the taxpayer to obtain, retain and provide to the Franchise Tax Board, upon request, evidence of that certification.

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> X </u> PENDING

Legislative Director

Date

Gerald H. Goldberg

3/22/00

Except for the implementation concern above, implementing this bill would not significantly impact the department's programs and operations.

Technical Considerations

The credit language refers to a \$2,500 limitation per "unit" in a multiple-family residential structure, while the definitional sections define a "dwelling unit." It is unclear whether the word "dwelling" was intended to precede "unit" in the credit limitation language, or whether the author intends the credit limitation language to apply to non-dwelling units in multiple-family residential structures such as community clubhouses or other common areas.

Tax Revenue Estimate

Based on the data and assumptions below, revenue losses are estimated as follows:

Estimated Revenue Impact AB1756 Taxable or Income Years Beginning After 12/31/2000 Assumed Enactment After 6/30/2000 (In Millions)			
2000-1	2001-2	2002-3	2003-4
Minor Loss	-\$10	-\$14	-\$28

* Minor Loss = Less than \$500,000

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this proposal.

Tax Revenue Discussion

Revised revenue losses above reflect a reduction of \$1 million for fiscal year 2002-3, \$2 million for 2003-4, and no change for fiscal years 2000-1 and 2001-2 (due to rounding) from the previous version of this bill as introduced January 14, 2000. The revised revenue losses are attributable to reducing the credit limitations from \$5,000 to \$3,000 for single-family residential structures.

Our previous analysis and assumptions still apply.

BOARD POSITION

Pending.